Odyssey House

Year Ended June 30, 2009

Financial Statements

And

Independent Auditor's Report

With Supplementary Information

And

Compliance Reports

SHAW/MUMFORD AND CO. P.C.

Odyssey House

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SHAW/MUMFORD
AND CO. P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Odyssey House
Salt Lake City, UT

We have audited the accompanying statement of financial position of Odyssey House (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2008 financial statements and, in our report dated October 17, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Odyssey House as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2009 on our consideration of Odyssey House's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Odyssey House taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Shaw Mumford & Co., P.C.

Bountiful, Utah
November 11, 2009

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Odyssey House

Statement of Financial Position
June 30, 2009
With Comparative Totals For June 30, 2008

	6/30/2009	6/30/2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,970,524	$ 1,965,832
Restricted cash	70,957	70,805
Total cash and cash equivalents	2,041,481	2,036,637
Marketable securities	8,785	14,628
Accounts receivable	806,814	1,118,647
Related-party accounts receivable	15,600	1,200
Allowance for doubtful accounts	(62,193)	(140,735)
Prepaid expenses	141,740	147,300
Total current assets	2,952,227	3,177,677
Fixed assets, at cost		
Furniture, fixtures, equipment and software	618,886	618,886
Leasehold improvements	841,359	832,609
Vehicles	303,649	267,493
Total fixed assets	1,763,894	1,718,988
Less: accumulated depreciation	(1,173,395)	(1,095,981)
Net fixed assets	590,499	623,007
Cash value of life insurance policy	-	64,643
Total assets	$ 3,542,726	$ 3,865,327
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 91,145	$ 82,681
Accrued liabilities	293,119	235,596
Medicaid reserve	199,015	239,102
Deferred revenue - fee for service	-	822
Total current liabilities	583,279	558,201
Net assets		
Unrestricted		
Undesignated	613,757	418,661
Designated by the board of directors	1,684,234	2,194,653
Fixed assets	590,499	623,007
Temporarily restricted	70,957	70,805
Permanently restricted	-	-
Total net assets	2,959,447	3,307,126
Total liabilities and net assets	$ 3,542,726	$ 3,865,327

See accompanying notes to financial statements.

Odyssey House

Statement of Activities
Year Ended June 30, 2009
With Comparative Totals For The Year Ended June 30, 2008

	6/30/2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	6/30/2009 Total	6/30/2008 Total
REVENUES AND SUPPORT					
Grants	$ 2,909,944	$ -	$ -	$ 2,909,944	$ 2,731,855
Medicaid	1,790,732	-	-	1,790,732	1,516,780
Fee for service	688,692	-	-	688,692	657,991
In-kind donations	374,192	-	-	374,192	417,830
Vocational training	275,503	-	-	275,503	508,689
DPA-Food stamps & TANF	217,722	-	-	217,722	180,401
Contributions	212,398	-	-	212,398	402,854
Interest and dividends	29,362	152	-	29,514	86,056
Special events	24,588	-	-	24,588	129,104
Other income	-	-	-	-	5,452
Unrealized gain/(loss) on marketable securities	(4,216)	-	-	(4,216)	(3,785)
Net assets released from restrictions	-	-	-	-	-
Total revenues and support	6,518,917	152	-	6,519,069	6,633,227
EXPENSES					
Program services	6,457,391	-	-	6,457,391	5,506,931
Management and general	310,967	-	-	310,967	298,902
Fundraising	98,390	-	-	98,390	197,165
Total expenses	6,866,748	-	-	6,866,748	6,002,998
Change in net assets	(347,831)	152	-	(347,679)	630,229
Net assets, beginning of year	3,236,321	70,805	-	3,307,126	2,676,897
Net assets, end of year	$ 2,888,490	$ 70,957	$ -	$ 2,959,447	$ 3,307,126

See accompanying notes to financial statements.

Odyssey House

Statement of Functional Expenses
Year Ended June 30, 2009
With Comparative Totals For The Year Ended June 30, 2008

	6/30/2009				
	Program Services	Management and General	Fundraising	6/30/2009 Total	6/30/2008 Total
Salaries and wages	$ 2,795,449	176,162	34,571	$ 3,006,182	$ 2,639,267
Payroll taxes	184,499	11,627	2,282	198,408	197,972
Employee benefits	469,597	29,593	5,807	504,997	403,420
Total salaries and related expenses	3,449,545	217,382	42,660	3,709,587	3,240,659
Patient care	786,949	-	-	786,949	799,418
Donations - related party	567,457	-	-	567,457	85,000
Occupancy	313,349	19,747	3,875	336,971	201,443
Consultants	212,225	13,374	2,625	228,224	191,356
Repairs and maintenance	157,339	9,915	1,946	169,200	193,667
Utilities	125,997	7,940	1,558	135,495	130,436
Supplies	120,218	7,576	1,487	129,281	419,059
Insurance and dues	114,341	7,206	1,414	122,961	98,817
Auto and travel	85,917	5,414	1,063	92,394	95,807
Bad debts	89,825	-	-	89,825	113,382
Medicaid reserve expense	82,153	5,177	1,016	88,346	73,565
Screening	86,829	-	-	86,829	62,184
Staff training	79,422	5,005	982	85,409	37,021
Telephone	53,008	3,340	656	57,004	56,138
Special events	-	-	29,097	29,097	54,611
Miscellaneous	21,333	1,344	264	22,941	8,663
Marketing	10,785	1,201	8,502	20,488	36,733
Printing and subscriptions	11,145	702	138	11,985	10,779
Legal and professional	11,088	699	137	11,924	17,443
Postage	6,478	408	80	6,966	5,427
Total expenses before depreciation	6,385,403	306,430	97,500	6,789,333	5,931,608
Depreciation	71,988	4,537	890	77,415	71,390
Total expenses	$ 6,457,391	$ 310,967	$ 98,390	$ 6,866,748	$ 6,002,998

See accompanying notes to financial statements.

Odyssey House

Statement of Cash Flows
Year Ended June 30, 2009
With Comparative Totals For The Year Ended June 30, 2008

	6/30/2009	6/30/2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (347,679)	$ 630,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,415	71,390
Allowance for doubtful accounts	(78,543)	53,399
Changes in operating assets and liabilities:		
Accounts receivable	311,832	(398,969)
Related-party accounts receivable	(14,400)	59,379
Prepaid expenses	5,560	(111,005)
Cash value of life insurance policy	64,643	(5,452)
Accounts payable	8,465	(32,020)
Accrued liabilities	57,523	39,113
Medicaid reserve	(40,087)	65,033
Deferred revenue - fee for service	(822)	(890)
Net cash provided by operating activities	43,907	370,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(44,906)	(94,168)
Proceeds from sale of marketable securities	5,843	4,625
Net cash (used in) investing activities	(39,063)	(89,543)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net change in cash	4,844	280,664
Cash and cash equivalents, beginning of year	2,036,637	1,755,973
Cash and cash equivalents, end of year	$ 2,041,481	$ 2,036,637
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

See accompanying notes to financial statements.

1. ORGANIZATION BASIS OF PRESENTATION

Odyssey House (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit corporation on May 28, 1970. The Organization is a nonprofit Utah corporation providing treatment of drug and alcohol addiction, emotional problems, and anti-social behavior. The treatment programs teach new values, healthy coping skills, and how to maintain drug-free, positive and productive lifestyles.

The Organization offers a full range of programs and services at the Adult, Adolescent, and Women and Children's treatment facilities including comprehensive psychiatric, medical and educational evaluations; individual, group and family therapy; therapeutic modules; practical living skills and cultural and recreational opportunities. The Organization also provides a fully-accredited educational program, vocational training, transitional living facilities, after-care services, out-patient and prevention services and ongoing support systems.

Support and Program Services

Support and program services provided by the Organization are as follows:

Adult Services

A drug-free, co-educational program for residents age 17 and older for drug and alcohol addiction, abuse victims, and psychological and/or emotional problems.

Adolescent Treatment

A treatment program which serves young people between the ages of 13 and 18. This program helps adolescents overcome problems of drug and alcohol abuse, delinquency or gang involvement and emotional or psychological problems left over from such traumas as physical or sexual abuse.

Parents and Children

This program offers therapeutic, structured residential living and day treatment for adult residents, as well as specialized services for their children. The program has been designed as a residential day treatment program for fathers and mothers age 17 and older, with up to three children under age eight. The program offers 24-hour supervision for high-risk fathers and mothers with children, and focuses on treating the multi-generational cycles of drug abuse, child abuse and neglect which negatively impact family systems.

Children Services

This program offers services to children of fathers and mothers participating in the Parents and Children program.

Outpatient

This program is designed for people who are experiencing substance abuse problems, but who do not need day or residential treatment. Services include assessment; individual, group and family therapy; psycho educational group; relapse prevention; social skills training and aftercare.

Transition House

This program offers residence in a drug-free transitional living house. These facilities provide program graduates with a supportive environment and an on-site staff specifically trained to supervise the transition from a structured program to independent living. In this environment residents gain support, receive counseling, and learn how to manage money, plan for their education and find employment.

Vocational Training

This program gives residents job training and experience as part of their treatment process. These projects also raise funds and help defray expenses for residents who are unable to afford the full cost of treatment. On-the-job training gives residents the opportunity to develop marketable job skills and work habits. Work crews receive training in problem-solving techniques, technical skills development, job safety, punctuality, and effective communication skills.

Northern Utah Corrections

Provides prevention and treatment programs within the Correctional system. This includes both group and individual therapy. The approach is an intensive process designed to produce significant positive lifestyle changes.

Management and General

Includes overall direction of the organization, general record keeping, fiscal management, public relations, personnel, and the board of directors.

Fundraising

A portion of management and general expenses has been allocated to reflect time and supplies used in fundraising efforts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.

b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.

c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable - fee for service represents charges to clients for treatment services which are not paid from grants. Accounts receivable - vocational training represents charges to customers for services provided by clients participating in the vocational services program.

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest. Periodically, management reviews accounts receivable and records the allowance for doubtful accounts for amounts which management believes may not be collectible. Accounts written off are charged against the allowance for doubtful accounts.

Fixed Assets

Fixed assets are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed $3,000 with useful lives more than two years. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from two to ten years. Depreciation expense for the year ended June 30, 2009 was $77,415.

Income taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2009.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same year the contribution is received are reported as unrestricted. Capital campaign contributions are considered temporarily restricted until the asset is placed into service.

Promises to give

Promises to give are recorded at their estimated fair value. Amounts due later than one year, if any, are recorded at the present value of estimated future cash flows. The Organization estimates the allowance based on analysis of specific donors, taking into consideration the age of past due pledges and an assessment of the donor's ability to pay. At June 30, 2009, management of the Organization considers all promises to be collectible; therefore, no allowance has been recorded.

Food Stamps

The Organization receives no direct food stamp assistance from the Federal Government. When a participant in the program is receiving food stamps, these stamps are given to the Organization. The amount of food stamps received is recorded as revenue when received and as expense when used.

Government Funding

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At June 30, 2009, $1,335,335 exceeded the FDIC insurance limit of $250,000, and therefore was not insured. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2009, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Reclassifications

Certain items from June 30, 2008 have been reclassified to conform to the June 30, 2009 presentation.

3. RETIREMENT PLAN

The Organization has a defined contribution tax-deferred annuity retirement plan which covers substantially all full-time employees. The employer contributions are calculated at five percent of gross salaries or six percent of gross salaries for employees with 10 years of service of more. The employees may make contributions to the plan not to exceed $15,500 annually. Employees are eligible to enter the plan after one year of service and are fully vested at the time of contribution. For the year ended June 30, 2009, the Organization contributed $67,165 to the plan. Other than plan contributions, the Organization has no other liability in connection with the plan.

4. RESTRICTED AND BOARD DESIGNATED NET ASSETS

Unrestricted, board designated net assets consist of the following at June 30, 2009:

General and operating reserves	$ 1,253,018
Building and improvements	146,068
Martindale Foundation capital improvements	100,000
Development	55,000
Fee for service development	38,814
Transition House furnishings	38,334
Unemployment reserve	38,000
Medical compensation - vocational training	15,000
	$ 1,684,234

Temporarily restricted net assets consist of $70,957 for the Martindale Scholarship at June 30, 2009.

5. RELATED PARTY

Western Odyssey, Inc. (Western Odyssey) is a related party in that the twenty-three member board of the Organization shares a board member with the three member board of Western Odyssey, Inc. Neither organization controls the other. The Organization leases its treatment, housing and administrative facilities from Western Odyssey and periodically contributes assets to Western Odyssey. The Organization had an accounts receivable as of June 30, 2009 from Western Odyssey in the amount of $15,600. During the year ended June 30, 2009, the Organization paid a donation of $567,457 for necessary improvements to its facilities and also for a down payment on a new building. The Organization is a co-signer or guarantor on three Western Odyssey bank loans of $1,301,588, $521,920 and $158,980. Western Odyssey is responsible for monthly loan payments. The loans are secured by real property owned by Western Odyssey. All of Western Odyssey's real property and related improvements are leased to the Organization. Unaudited summarized financial information for Western Odyssey is as follows:

Assets	$ 4,380,798
Liabilities	$ 2,427,819
Net assets	1,952,979
	$ 4,380,798
Revenues	$ 861,882
Expenses	251,895
Changes in net assets	$ 609,987

6. LEASE COMMITMENTS

The Organization leases most of its treatment, housing and administrative facilities from Western Odyssey, a related party. The Organization is a co-signor or guarantor on three Western Odyssey bank loans as more fully described in Notes 5 and 8.

The Organization enters into one-year lease agreements each year with Western Odyssey and Salt Lake City Corporation. Thus, there are no future minimum operating lease payments based on this one-year term in the lease. The lease requires monthly payments in the amount of $28,797 and $2,100, respectively.

The Organization entered into a five-year lease agreement with Catholic Community Services for an adult residential facility. The lease expires on June 30, 2014. The lease calls for monthly payments of $6,250 with a 3% escalation for each future year.

Total future minimum lease payments required for the lease commitments is as follows:

Year Ending June 30,	
2010	$ 75,000
2011	77,280
2012	79,680
2013	82,080
2014	84,480
	$ 398,520

Total rent expense for the year ended June 30, 2009 was $336,971.

7. PROGRAM SERVICES

Program services of the Organization for the year ended June 30, 2009 consisted of the following:

Adult Services	$ 1,816,758
Adolescent Treatment	1,633,648
Women and Children	682,213
Children's Services	555,621
Outpatient	588,458
Youth Outpatient	51,761
Transition House	233,517
Vocational Training	243,048
Fathers and Children	303,484
Nursing services	273,031
Northern Utah Corrections	75,852
	$ 6,457,391

8. CONTINGENCIES

The Organization has co-signed or guaranteed three mortgage notes with Western Odyssey, a related party, as described in Note 5. These loans and the related property and equipment are recorded on the books of Western Odyssey. The loan balances at June 30, 2009 are $1,301,588, $521,920 and $158,980 with interest rates at 6.65%, 7.94%, and 8%, and monthly principal and interest payments are $10,403, $5,435 and $2,250, respectively. Western Odyssey makes the monthly loan payments.

The Organization is a co-applicant for a U.S. Department of Housing and Urban Development Grant. The grant, a $70,000 no-repayment loan from the Olene Walker Housing Trust, was passed through the State of Utah to Western Odyssey during the year ended June 30, 1997. The balance of the contingent loan as of June 30, 2009 is $45,943. The loan agreement is renewed every five years. The latest renewal took place in December 2005. The loan agreement stipulated that the funds be used to purchase low-income housing. As long as the building is used as low-income housing, no payments on the loan are required. If the building is used for any other purpose, Western Odyssey and the Organization, as a co-applicant, may be responsible to repay the principal and accrued interest. Management currently uses the building as required by the grant agreement and does not intend to use the building for a purpose other than that described in the grant.

9. FAIR VALUE MEASUREMENTS

Effective for the year ended June 30, 2009, the Organization adopted SFAS No. 157, *Fair Value Measurements and Disclosures*. The adoption of this pronouncement did not have a material impact on the Organization's fair value measurements.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described as follows:

<u>Level 1</u>
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

<u>Level 2</u>
Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

<u>Level 3</u>
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2009:

Assets at Fair Value as of June 30, 2009

	Level 1	Level 2	Level 3	Total
Common stocks	$ 8,785	$ -	$ -	$ 8,785
Totals	$ 8,785	$ -	$ -	$ 8,785

For the year ended June 30, 2009, there was an unrealized loss in the amount of $4,216.

10. PRIOR YEAR INFORMATION

The financial statements for the year ended June 30, 2008 are presented for comparative purposes only. The notes presented herein contain information relating to June 30, 2009 only. Please refer to the June 30, 2008 audited financial statements for information relating to the notes for the prior year.

SUPPLEMENTARY INFORMATION

AND

COMPLIANCE REPORTS

Odyssey House

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass-through Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Utah Department of Human Services			
Child Welfare Services IV-B	-	93.645	$ 12,554
Foster Care – Title IV-E	-	93.658	26,265
Social Services Block Grant	-	93.667	94,153
TANF/BAFDC Benefits Program	-	93.558	52,579
Passed through Salt Lake County			
Treatment of Substance Abuse	AL1111C	93.959	528,976
Total U.S. Department of Health and Human Services			714,527
U.S. Department of Agriculture			
Food Stamp Program	-	10.551	164,373
U.S. Department of Veterans Affairs			
VA Medical Services	-	64.009	28,169
U.S. Department of Housing and Urban Development			
Emergency Shelter	-	14.231	7,000
Community Development Block Grants	-	14.231	12,036
Total U.S. Department of Housing and Urban Development			19,036
U.S. Department of Justice			
Passed through Utah Department of Corrections			
U.S. Probation & Pretrial Services	-	16.585	111,572
Total Expenditures of Federal Awards			$ 1,037,677

Note 1 - Basis of Accounting

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Pass Through Awards

The Organization receives certain federal financial assistance from pass-through awards. The total federal financial assistance from pass-through awards is noted above.

Odyssey House
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Summary of Auditor's Results

1. We issued an unqualified opinion in our report on the financial statements of Odyssey House for the year ended June 30, 2009.

2. The results of our audit tests disclosed no instances of noncompliance which were considered material to the financial statements.

3. We issued an unqualified opinion in our report on compliance for major programs for the year ended June 30, 2009.

4. The results of our audit disclosed no audit findings which we are required to report.

5. The major programs of Odyssey House for the year ended June 30, 2009 is as follows:

    a. Treatment of Substance Abuse CFDA Number 93.959

6. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

7. Odyssey House did qualify as a low-risk auditee.

Findings Related To The Financial Statements

None

Findings and Questioned Costs for Federal Awards

None

Findings of Prior Audit - Year Ended June 30, 2008

There were no findings reported for the year ended June 30, 2008. Therefore, there are no outstanding resolution matters relating to major federal programs.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Odyssey House
Salt Lake City, UT

We have audited the financial statements of Odyssey House (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Odyssey House's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Odyssey House's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Odyssey House's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Odyssey House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shaw Mumford & Co., P.C.

Bountiful, Utah
November 11, 2009

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SHAW/MUMFORD AND CO. P.C.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Odyssey House
Salt Lake City, UT

Compliance

We have audited the compliance of Odyssey House (a nonprofit organization) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Odyssey House's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Odyssey House's management. Our responsibility is to express an opinion of Odyssey House's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Odyssey House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Odyssey House's compliance with those requirements.

In our opinion, Odyssey House complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Odyssey House is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Odyssey House's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Odyssey House's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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This report is intended solely for the information and use of the audit committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shaw Mumford & Co., P.C.

Bountiful, Utah
November 11, 2009

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REPORT ON COMPLIANCE WITH
STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

The Board of Directors
Odyssey House
Salt Lake City, UT

We have audited the financial statements of Odyssey House (a nonprofit organization) for the year ended June 30, 2009 and have issued our report thereon dated November 11, 2009. As part of our audit, we have audited Odyssey House's compliance with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to each of its major State award programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. Odyssey House received the following major State assistance awards from the State of Utah:

Utah Department of Human Services, Substance Abuse Treatment
Utah Department of Human Services, Division of Juvenile Justice Services

Odyssey House also received the following nonmajor grants which are not required to be audited for specific compliance requirements:

Utah Department of Child and Family Services
Utah Department of Corrections, Residential Substance Abuse Treatment

The management of Odyssey House is responsible for its compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Odyssey House's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Odyssey House complied, in all material respects, with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to each of its major State award programs for the year ended June 30, 2009.

Shaw Mumford & Co., P.C.

Bountiful, Utah
November 11, 2009

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